

# Executive Summary

This report provides a review and evaluation of the Kentucky General Fund and Road Fund for fiscal year 2001 (FY01). General Fund receipts totaled \$6,653.9 million for the entire fiscal year, with a growth rate over FY00 of 2.7 percent. This represents \$175.5 million more than reported receipts for FY00 and was \$200,000 more than the revised consensus estimate for FY01. For the fourth quarter of FY01, growth in General Fund revenues was 1.8 percent, and revenues were \$1,861.3 million.

Road Fund receipts in FY01 totaled \$1,064.2 million, a decline from FY00 of 2.4 percent. This is \$26.6 million less than reported for FY00, and \$1.0 million more than the consensus forecast for FY01.

Economic growth decelerated throughout the fiscal year, which has caused revenues to lag below expectations. Real U.S. gross domestic product is estimated to have grown 2.7 percent in FY01, and just 0.7 percent in the fourth quarter of FY01.

Meanwhile, Kentucky personal income increased by 5.0 percent in FY01, and for the fourth quarter of FY01 reached \$100.8 billion. Nonagricultural employment in the state grew by 1.1 percent over a year earlier as 21,000 new jobs were added to the state's payroll during FY01.

The weakening economy was a major factor in the performance of the sales and use tax and the individual income tax. In addition, revenues declined in the corporation income tax and the coal severance tax.

The receipts for each major category of tax are shown in Table 1. In addition, Exhibit 1 reveals the percentage of the General Fund accounted for by each type of tax. Several taxes were affected by unique factors that help explain the performance of the receipts.

**Table 1**  
**Summary of General Fund Comparison**  
**FY01 and FY00**

	<b>FY01</b> <b>(\$Mil)</b>	<b>FY00</b> <b>(\$Mil)</b>	<b>Diff</b> <b>(\$Mil)</b>	<b>Diff</b> <b>(%)</b>
Sales and Use	2,248.5	2,171.4	77.1	3.5
Individual Income	2,778.5	2,701.6	76.9	2.8
Coal Severance	141.6	145.1	-3.5	-2.5
Property	407.5	387.3	20.2	5.2
Lottery	157.0	156.3	0.7	0.5
Other	630.9	610.3	20.6	3.4
<b>TOTAL</b>	<b>6,653.9</b>	<b>6,478.4</b>	<b>175.5</b>	<b>2.7</b>

**Sales and Use Taxes:** Sales and use tax revenue growth of 3.5 percent was the slowest in over ten years despite the significant expansion of the base in FY01. Concern over the poor performance of this revenue source mounted over the last two years as it has become apparent that the slowing receipts were not a temporary phenomenon. Clearly the slowing economy has affected growth in this account in FY01. Since this tax is also subject to erosion due to remote sales (internet and mail order), it will continue to receive scrutiny for the foreseeable future.

**Individual Income Tax:** The economy also is responsible for the slowing growth in individual income taxes, which were up by only 2.8 percent. Withholding slowed considerably during the second half of the fiscal year. Declaration payments also slowed, as the rise in asset values that had boosted payments earlier was reversed by stock market declines. Meanwhile, refunds were slightly higher than anticipated.

**Corporation Income Tax:** Corporation income tax receipts declined 5.4 percent during FY01, and refunds paid to taxpayers by the Revenue Cabinet climbed considerably from the FY00 level.

**Other Taxes:** Coal severance taxes declined modestly, but were higher in the fourth quarter as a rise in price prompted increased production. Property taxes were up 5.2 percent. Corporation license taxes increased in FY01. The inheritance tax grew more than anticipated. Exemptions to the inheritance tax passed in 1995 have been completely phased in, and growth in FY01 was in response to long-term rises in the values of estates. The natural gas severance tax outperformed expectations as well.

As shown in Table 2, the General Fund receipts exceeded the revised consensus forecast by \$200,000. (However, the original consensus forecast, the forecast on which the budget was based, was \$159 million higher than final receipts. The operative consensus estimate was revised in mid-June.) Although individual income, sales and use tax and other taxes performed slightly better than expected, the corporation income tax posted a shortfall.

**Table 2**  
**Summary of General Fund Comparison**  
**Actual FY01 vs. Consensus Estimate FY01**

	<b>FY01</b>	<b>Consensus</b>		
	<b>(\$Mil)</b>	<b>Estimate</b>	<b>Diff</b>	<b>Diff</b>
		<b>(\$Mil)</b>	<b>(\$Mil)</b>	<b>(%)</b>
Sales and Use	2,248.5	2,245.8	2.7	0.1
Individual Income	2,778.5	2,781.2	-2.7	-0.1
Corp. Inc. & Lic.	437.4	459.1	-21.7	-4.7
Coal Severance	141.6	142.6	-1.0	-0.7
Property	407.5	398.8	8.7	2.2
Lottery	157.0	157.0	0.0	0.0
Other	483.4	469.2	14.2	3.0
<b>TOTAL</b>	<b>6,653.9</b>	<b>6,653.7</b>	<b>0.2</b>	<b>0.0</b>

The Road Fund receipts are presented in detail in Table 3. Most of the revenue comes from two sources: motor fuels taxes with \$408.8 million and the motor vehicle usage tax, which collected \$396.8 million.

**Table 3**  
**Summary of Road Fund**  
**FY01 vs. FY00**

	<b>FY01</b>	<b>FY00</b>	<b>Diff</b>	<b>Diff</b>
	<b>(\$Mil)</b>	<b>(\$Mil)</b>	<b>(\$Mil)</b>	<b>(%)</b>
Motor Fuels	408.8	423.9	-15.1	-3.6
Motor Veh Usage	396.8	409.5	-12.7	-3.1
Weight Distance	75.2	75.1	0.1	0.1
Investment Income	40.2	29.4	10.8	36.6
Other	143.2	152.9	-9.7	-6.8
<b>TOTAL</b>	<b>1,064.2</b>	<b>1,090.8</b>	<b>-26.6</b>	<b>-2.4</b>

Road Fund collections exceeded the official consensus forecast by \$1.0 million. (The consensus estimate was revised downward by \$54.9 million in March.) Motor vehicle usage taxes performed poorly in reflection of the weakening economy. Motor fuels taxes were affected sharply by higher fuel prices that prevailed in FY01, resulting in reduced consumption. Investment income was higher due to larger Road Fund balances during FY01.

**Table 4**  
**Summary of Road Fund Comparison**  
**Actual FY01 vs. Consensus Estimate FY01**

	<b>FY01</b>	<b>Consensus</b>		
	<b>(\$Mil)</b>	<b>Estimate</b>	<b>Diff</b>	<b>Diff</b>
		<b>(\$Mil)</b>	<b>(\$Mil)</b>	<b>(%)</b>
Motor Fuels	408.8	428.5	-19.7	-4.6
Motor Veh. Usage	396.8	396.8	0.0	0.0
Weight Distance	75.2	76.3	-1.1	-1.4
Investment Income	40.2	29.5	10.7	36.3
Other	143.2	132.1	11.1	8.4
<b>TOTAL</b>	<b>1,064.2</b>	<b>1,063.2</b>	<b>1.0</b>	<b>0.1</b>

The outlook for the next three fiscal quarters is for General Fund revenue to increase by a rate of 1.7 percent over the first three quarters of FY02. Growth in the major accounts should be mixed, with mild growth of 3.2 and 2.7 percent in the sales and use tax and the individual income tax respectively. Sales and use tax revenues should be boosted by an extension of sales taxes to interstate long-distance

calls (passed by the 2000 General Assembly). The interim forecast for the Road Fund is for an increase of 0.7 percent during the first three quarters of FY02 compared to the prior year. The rates of increase among the major taxes range from 13.7 percent for license and privilege taxes to a low of -45.5 percent for investment income.

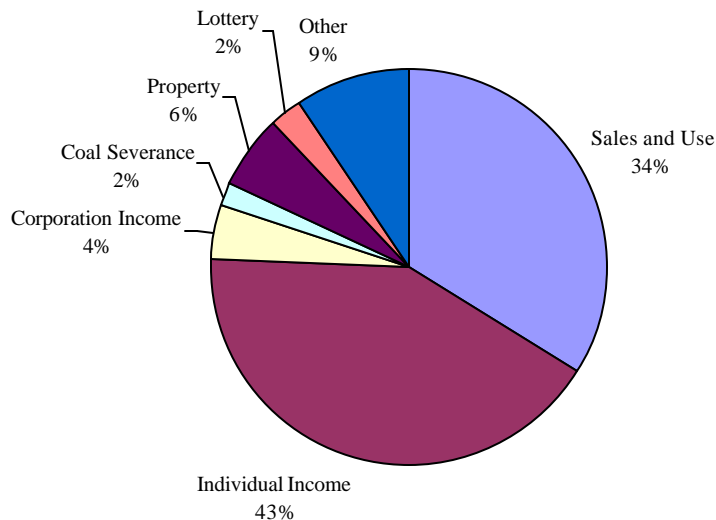
This report also contains an explanation of the federal tax reduction act passed in 2001, and its impact on Kentucky's economy for the next 10 years. Federal taxes for Kentuckians have been reduced by \$901.6 million beginning this year, and by \$11.3 billion over the 10-year period. The reductions come primarily in the form of lower rates for income taxes, and a phase-out of the federal estate tax. Based on this analysis, revenues accruing to the General Fund will be reduced by \$253.6 million over the 10 years the tax reductions are

phased in. Although increased spending due to higher disposable income will raise sales and use tax collections and Road Fund revenues, this will be offset by the phase-out of the federal estate tax, which automatically will cause the state inheritance tax to fall.

Also of importance to the future health of the General Fund is the Streamlined Sales Tax Project (SSTP), a multistate effort to modernize and simplify the sales tax structures of participating states. This effort is described in the final chapter to this report. Currently, 39 states are participating in the effort along with major U.S. retailers to create a system better designed to operate in an age of electronic commerce. Hopefully, the result will enable both states and retailers, who must collect and remit the sales tax to the states, to operate the system efficiently and smoothly.

### Exhibit 1

#### Composition of General Fund Revenues, FY01



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# The Economy

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## NATIONAL ECONOMY

*\*Fourth Quarter, FY01*

*The April-to-June quarter of FY01 marked the tenth anniversary of what had been until recently a very robust economic expansion. The expansion is still continuing, but the festive mood to celebrate this landmark anniversary is missing. Unless the National Bureau of Economic Research (NBER) tells us otherwise, we are still in the longest peacetime expansion ever. However, growth has flattened out in response to tepid consumer demand and a general fall in business investment. Investment hasn't edged up in spite of federal funds rate cuts in each of the three months of the fourth quarter.*

Real gross domestic product (GDP) is an inflation-adjusted measure of the total output of goods and services produced in the United States. Real GDP is estimated to have increased by 0.7 percent in the April-to-June quarter on a seasonally adjusted annual rate. This is a drastic change compared to the robust 5.6 percent increase a year ago. Throughout FY01 real GDP dropped precipitously from the hectic growth of the FY00. In the first quarter it grew by 2.2 percent, followed by 1.1 and 1.3 percent in the second and third quarters, and finally 0.7 percent in the final quarter of FY01.

Just like the vigorous expansion owed its strength to consumer spending, the slowdown comes from a restraint in consumption. Consumption expenditures account for about two-thirds of real GDP. In the fourth quarter consumption was up a modest 1.3 percent, following strong growth in the third quarter of 4.5 percent. Consumption of durable goods declined by 3.1 percent, led by motor vehicles and parts (down 9.2 percent), though computer sales were up 29.9 percent. Nondurable goods consumption was up

just 0.5 percent. Services constitute a little over one-half of all consumption and about 35 percent of total GDP. The consumption of services increased by 2.6 percent in the fourth quarter compared to 4.6 percent a year ago.

Slowing demand has had a major impact on the investment component of GDP. Total investment grew by just 1.1 percent compared to 5.5 percent a year ago. Much of the drop is in investment related to office equipment including computer hardware and software. Following sizzling double-digit growth in FY00 this category has declined to 7.0 percent as businesses grow wary of investing in new computers in the face of indifferent demand.

Over the second half of FY01, the Federal Reserve Board has used monetary policy aggressively to jumpstart the economy. The federal funds rate has dropped from 6.00 percent to 3.75 percent in just 6 months. It is difficult to see if the economy is responding to this strategy though the overall decline growth in net investment (of 0.9 percent and 3.5 percent in the second and third quarter) did reverse itself in the fourth quarter.

Personal income, which is a measure of spending power, was \$8,638.3 billion in the fourth quarter, an annualized increase of 4.8 percent over the previous quarter. This growth is in marked contrast to the 6.9 percent increase a year ago. Wage and salary income has been sustained to some extent by a fairly tight labor market. With unemployment rate at just 4.5 percent, wages grew at an annualized rate of 5.6 percent.

The employment news is two-fold. With the unemployment rate at a historically comfortable level it seems that the economy is still quite strong.

However, the creation of new jobs has been severely curtailed. Total nonagricultural employment declined by 0.2 percent compared to a growth of 2.6 percent a year ago. The easy availability of jobs has helped to keep consumer sentiments high. The University of Michigan's consumer sentiment index rose strongly in May, reaching its third-highest level ever behind January and February of this year. Consumer confidence has manifested itself in the form of strong demand for new vehicles, in spite of slightly higher interest rates. The demand is expected to have softened by late June as high oil prices and a slight increase in interest rates is expected to have had a dampening effect.

## **NATIONAL ECONOMY**

### ***Full Year, FY2001***

After a decade of remarkable economic growth the economy slowed considerably in FY01. Even though the average real output continued to be higher than the long-term average, the change was in sharp contrast to the 5.2 percent growth of the previous year. Consumer sentiment also slid rapidly, falling below the 100 mark after having reached a record high in FY00.

Real GDP is estimated to have grown by 2.7 percent during FY01. Historically this would have been classified as stellar performance, but in the new economy—with increased productivity and ever-increasing demand—we have become accustomed to average growth rates of over 4.0 percent. The strength of the GDP comes from a 4.0 percent growth in consumption. During the boom period last year this was up 5.6 percent. Durable goods led the way with a growth of 5.0 percent, much of it in the automobile sector, as well as computers and software. As strong as this sounds, it pales considerably when compared to the average growth of 12.2 percent in the same sectors last year. Nondurable goods consumption also weakened to 3.4 percent growth in FY01 compared to 5.6 percent last year.

Business investment was hard hit, especially in the second half of FY01. The average gain in investments for FY01 was just 3.3 percent, in sharp contrast to the 10 percent gain in FY00. During the last six months of FY01 business investment dipped by 1.6 percent in response to large inventory accumulation due to weak demand. Investment in nonresidential construction slowed down the most. Computer equipment and software are integral parts of the new economy and account for almost a third of all investments. Investment in this area slowed to a growth of just 4.2 percent after a blistering performance in FY00 with growth of 24.0 percent.

National job growth was tepid with nonagricultural employment growing by 1.4 percent to a total of 132.3 million. About 1.9 million new jobs were created in FY01 compared to 2.9 million in FY00. A weakening economy and less attractive wages caused more people to drop out of the labor force, keeping the overall unemployment rate low at 4.2 percent. Manufacturing employment continued to slide with a drop of 1.5 percent. The big turnaround was in mining, especially oil and gas extraction, where employment boomed with an increase of 3.7 percent in the face of soaring prices.

## **STATE ECONOMY**

### ***Fourth Quarter, FY01***

Personal income is the broadest measure of a state's economic performance. Kentucky's personal income is estimated to be \$100.8 billion in the fourth quarter of FY01, an unimpressive increase of 3.4 percent from a year ago. Wages and salaries constitute a little over half of personal income. Income derived from wages and salaries is estimated to have grown by 4.1 percent in FY01:4. Unlike previous quarters, when the income components were growing at well over five percent, the fourth quarter was muted given the slowdown in the national economy and the decline in manufacturing employment.

Employment data is commonly used to gauge the strength of the state's economy, primarily because of its timely availability and its impact on consumer spending and confidence. Nonagricultural employment in Kentucky is estimated to have increased by just 0.9 percent or 17,300 jobs—about half the increase in the same quarter a year ago.

The fourth quarter was marked by a substantial decline in manufacturing employment (down 3.4 percent) especially in the durable goods sector. The dampened national demand for consumer goods has impacted both production and employment in Kentucky. Employment in the durable goods sector fell by 3.7 percent. The turndown was expected in industries like fabricated metal products and industrial machinery, but it also percolated through the normally robust automobile sector. The decline in employment in the automobile sector is not due to curtailed demand, but to layoffs associated with the re-tooling of the assembly line for new models. Nondurable goods continued to post job losses, especially in the tobacco, chemicals, and apparel sectors.

Transportation, communication, and public utilities (TCPU) posted losses in the fourth quarter driven primarily by the Comair strike, but possibly also from the overall drop in demand for goods resulting in lower employment levels in both air and truck transportation.

The energy crisis in the western United States and the overall rise of petroleum products has helped the coal mining industry in Kentucky. The chances of a permanent upturn in mining are remote, but the fourth quarter did bring some additional mining jobs. The service sector continued to grow strongly with an overall increase of 3.6 percent. Business services and health services showed large gains, but the entertainment sector was hit by the general economic slowdown.

## STATE ECONOMY

### *Full Year, FY2001*

In the early 1990s Kentucky was barely impacted by the national recession. During the last ten years of the expansion the state economy has performed strongly. As our industry mix diversified we were able to keep pace with the national economy, but we still rely on the manufacturing sector as a source of relatively well-paying jobs. In Kentucky 18.7 percent of nonagricultural employment is in the manufacturing sector compared to 15.2 percent nationally. Over the past nine years manufacturing employment has steadily declined in the U.S., but Kentucky has had positive growth. In FY01, however, our reliance on manufacturing proved to be a failing. With the manufacturing sector in a recession nationwide we experienced a 1.6 percent decline in manufacturing jobs. This has proven to be even more severe than the 0.7 percent decline in 1991.

Our overall nonagricultural employment growth was 1.1 percent, compared to the national average of 1.4 percent. Both services and finance, insurance and real estate grew relatively strongly by 2.6 and 2.1 percent, respectively. Mining, which is dominated by coal mining, typically declines every year, but managed to grow by 0.9 percent in FY01. Even though transportation, communication, and public utilities did poorly in the fourth quarter, this sector registered an overall growth of 1.7 percent in FY01 due to the strong performance of the national economy during the first half of the year.

Personal income is a measure of spending power. Kentucky's personal income growth in FY01 averaged 5.0 percent, compared to 5.6 percent nationally. The wage and salary component grew strongly by 5.7 percent, again due primarily to growth experienced in the first half of the year. The

slowdown in income and employment did not impact the Kentucky economy substantially until the third quarter of FY01.

\*Data for fourth quarter FY01 U.S. economic activity are derived from estimates made by DRI-WEFA Control Senario, June 2001.



**Table 5**  
**National Economic Indicators**  
**Fourth Quarter, FY01**

	Fourth Quarter			Fiscal Year Average		
	FY00	FY01	Percent*	FY00	FY01	Percent Change
Real GDP (billion 1996 \$)	9,229.4	9,351.6	0.7	9,063.3	9,312.5	2.7
Personal Income (billion \$)	8,242.1	8,638.3	4.0	8,037.2	8,493.0	5.7
Consumer Price Index (1992-94=100)	171.5	177.7	3.8	169.4	175.3	3.5
Industrial Production (1992=100)	123.1	120.6	-4.0	120.0	122.6	2.2
Civilian Labor Force (millions)	140.8	141.8	0.7	140.3	141.4	0.8
Total Nonagricultural Employment (millions)	131.9	132.5	-0.2	130.4	132.3	1.4
Manufacturing Employment (millions)	18.5	17.9	-6.5	18.5	18.2	-1.5
Unemployment Rate (percent)	4.0	4.5	-	4.1	4.2	-

\* Seasonally adjusted annual rate.

Sources: DRI-WEFA and U.S. Department of Commerce, BEA.

Data for FY01 are June 2001 estimates

**Table 6**  
**Selected Kentucky Economic Indicators**  
**Seasonally Adjusted Data**

	Fourth Quarter			Fiscal Year Average		
	FY00	FY01	Percent* Change	FY00	FY01	Percent Change
Total Personal Income (\$ millions)	97,482.0	100,812	3.4	95,058	99,769	5.0
Wage & Salary Income (\$ millions)	54,783.0	57,021	4.1	53,351	56,366	5.7
Total Nonagricultural Employment	1,819.7	1,837.0	0.9	1,813.9	1,834.9	1.1
Mining	19.5	19.6	0.5	20.5	19.2	0.9
Construction	87.8	87.4	-0.5	88.2	87.0	-1.3
Manufacturing	323.0	312.1	-3.4	322.4	317.1	-1.6
Transportation, Communication, & Public Utilities	108.7	107.1	-1.4	107.2	108.9	1.7
Trade	427.1	435.0	1.8	429.1	436.9	1.8
Finance, Insurance, and Real Estate	76.7	76.5	-0.3	73.8	75.3	2.1
Services	467.7	484.6	3.6	468.5	480.6	2.6
Government	309.3	314.7	1.8	304.4	309.8	1.8

\* Seasonally adjusted rate from a year ago.

Source: GOEA's Macromodel of Kentucky, June 2001

# Revenue Receipts

## FOURTH QUARTER, FY01 General Fund

The General Fund continued to exhibit weak growth in the fourth quarter of FY01. Receipts in the fourth quarter totaled \$1,861.3 million compared to \$1,829.0 million for the fourth quarter of FY00, for a growth rate of 1.8 percent. (First quarter FY01 growth was 5.0 percent, second quarter was 1.6 percent, and third quarter was 2.9 percent.) Total FY01 growth rate was weak at 2.7 percent. Collections in the major revenue categories are shown in summary form in Table 7. Detailed information on these and other accounts is available in the Appendix.

**Table 7**  
**Summary General Fund Receipts**  
**Fourth Quarter, FY01**  
(millions of dollars)

Type Tax	FY01	FY00	Percent Change
Sales and Use	563.8	542.2	4.0
Individual Income	861.3	857.7	0.4
Corporation Income	116.7	124.6	-6.3
Coal Severance	38.7	36.6	5.8
Total Property	44.0	40.0	10.1
Lottery	39.0	43.0	-9.3
All Other	197.8	184.9	7.0
<b>TOTAL</b>	<b>1,861.3</b>	<b>1,829.0</b>	<b>1.8</b>

As usual, variations in the quarterly receipts are affected by differences in the timing of payments and refunds into revenue accounts. In the fourth quarter, property taxes and both individual and corporate income taxes were affected to a degree by these timing differences; however, the overall effect to General Fund receipts was minor.

The sales and use tax growth rate increased slightly during the fourth quarter to 4.0 percent. However, the addition of telecommunication ac-

cess fees and interstate long distance charges to the base probably accounts for all of the growth. Receipts for the quarter totaled \$563.8 million, compared to \$542.2 million in the fourth quarter of FY00.

Individual income tax receipts exhibited almost no growth in the fourth quarter of FY01. Receipts of \$861.3 million for the fourth quarter grew by 0.4 percent over receipts of \$857.7 million collected during the same period last year.

Corporation income tax receipts once again had a significant decline in the fourth quarter. Receipts totaled \$116.7 million, a decrease of 6.3 percent from the \$124.6 million collected last year during the fourth quarter.

Coal severance tax receipts reversed recent trends and posted a moderate increase during the fourth quarter of FY01, after posting a decline in the first three quarters. Collections of \$38.7 million compare to \$36.6 million for the fourth quarter of FY00.

Total property tax receipts of \$44.0 million compare to \$40.0 million collected in the fourth quarter of FY00; an increase of 10.1 percent. This was mostly the result of timing differences.

Lottery receipts of \$39.0 million were down 9.3 percent from last year's fourth quarter total of \$43.0 million, due partly to sagging PowerBall sales.

The "all other" category, which represents the remaining accounts of the General Fund, increased by 7.0 percent with receipts of \$197.8 million for the fourth quarter.

## Road Fund

The Road Fund posted a small increase of 1.1 percent during the fourth quarter of FY01. Receipts totaled \$291.7 million and compare to \$288.5 million from the fourth quarter of last year. The Road Fund declined by 2.4 percent for the year as a whole. Summary data are contained in Table 8 and detailed data are shown in the Appendix.

Motor fuels tax receipts decreased 4.6 percent during the fourth quarter. Receipts were \$104.3 million and compare to \$109.3 million collected during the fourth quarter of last year. Year-end figures show 3.6 percent decline for FY01.

Motor vehicle usage tax receipts had a slight increase of 0.7 percent during the fourth quarter. Receipts were \$106.7 million and compare to \$106.0 million collected during the same period last year. The account posted a decline of 3.1 percent for the year.

Weight distance tax receipts of \$18.4 million represent a 3.6 percent decline over receipts of \$19.1 million during the fourth quarter of last year.

The remainder of the accounts in the Road Fund combined for an increase of 15.1 percent. Receipts for the "all other" category totaled \$62.3 million during the fourth quarter, compared to \$54.1 million during the fourth quarter of FY 00.

**Table 8**  
**Summary Quarterly Report - Road Fund**  
**Fourth Quarter, FY01**  
(millions of dollars)

Type Tax	FY01	FY00	Percent Change
Motor Fuels	104.3	109.3	-4.6
Motor Vehicle Usage	106.7	106.0	0.7
Weight Distance	18.4	19.1	-3.6
All Other	62.3	54.1	15.1
<b>TOTAL</b>	<b>291.7</b>	<b>288.5</b>	<b>1.1</b>

## Annual Totals, FY01

Appendix A provides fourth quarter and fiscal year details of General Fund and Road Fund receipts for FY01 and FY00. Appendix B provides details on the changes in the major revenue sources of both funds for the past ten fiscal years.

As shown in Table 9, combined tax and non-tax receipts for the General and Road Funds increased by 2.0 percent over the combined receipts in FY00. Table 10 compares only tax receipts for the two funds which increased by 1.9 percent. Table 11 compares combined non-tax receipts, which increased by 5.3 percent over the previous year.

**Table 9**  
**Total Receipts**  
(millions of dollars)

Type Tax	FY01	FY00	Percent Change
General Fund	\$6,653.9	\$6,478.4	2.7
Road Fund	1,064.2	1,090.8	-2.4
<b>TOTAL</b>	<b>\$7,718.1</b>	<b>\$7,569.2</b>	<b>2.0</b>

**Table 10**  
**Tax Receipts**  
(millions of dollars)

Type Tax	FY01	FY00	Percent Change
General Fund	\$6,377.9	\$6,200.5	2.9
Road Fund	992.1	1,031.5	-3.8
<b>TOTAL</b>	<b>\$7,370.0</b>	<b>\$7,232.0</b>	<b>1.9</b>

**Table 11**  
**Non-tax Receipts**  
(millions of dollars)

Type Tax	FY01	FY00	Percent Change
General Fund	\$276.0	\$271.9	1.5
Road Fund	72.1	58.6	23.0
<b>TOTAL</b>	<b>\$348.1</b>	<b>\$330.5</b>	<b>5.3</b>

With weak growth in the fourth quarter, General Fund receipts for the year increased by a small 2.7 percent over those reported in FY00. Total General Fund receipts of \$6,653.9 million compare to \$6,478.4 million collected in FY00.

The sales tax growth rate continues to decrease from previous years. The growth rate for FY01 was 3.5 percent. Receipts of \$2,248.5 million compare to prior year receipts of \$2,171.4 million.

Performance in the individual income tax dropped significantly from the growth rate posted in FY00. The growth rate for FY01 was 2.8 percent compared to 6.7 percent in FY00. Receipts totaled \$2,778.5 million and compare to \$2,701.6 million collected last year. Recent increases in items such as the pension exemption (indexed for inflation) and the increase in the standard deduction are likely the cause of part of the decline.

The corporate income tax declined by 5.4 percent for the year. Receipts of \$289.9 million compared to \$306.4 million collected in FY00. FY00 receipts had decreased 1.8 percent from FY99 collections.

Coal severance tax collections continue their decline posting a 2.5 percent decrease for the year. Receipts totaled \$141.6 million and compare to \$145.1 million collected during the prior fiscal year. The decline in coal severance tax receipts over the last several years does show signs of slowing.

Total property taxes experienced a moderate increase of 5.2 percent during this fiscal year. Receipts totaled \$407.5 million compared to \$387.3 million collected in FY00.

The growth in lottery receipts increased very slightly from the previous year. Receipts of \$157.0 million grew by 0.5 percent over the \$156.3 million remitted to the state last fiscal year.

The “all other” category finished the year with an increase of 3.4 percent. Receipts of \$630.9 million compare to \$610.2 million collected in FY00. Oil and natural gas severance taxes showed significant increases, while most other license and privilege taxes showed small declines.

Table 12 compares the growth rates in major General Fund categories and the fund as a whole for the entire year and the four individual quarters.

**Table 12**  
**General Fund Growth Rates for the**  
**Four Quarters and Full Year, FY01**  
**(Percent)**

	<b>First Qtr</b>	<b>Second Qtr</b>	<b>Third Qtr</b>	<b>Fourth Qtr</b>	<b>FY01</b>
Total Receipts	5.0	1.6	2.9	1.8	2.7
Sales and Use	1.9	4.7	3.6	4.0	3.5
Individual Inc	8.1	0.4	3.4	0.4	2.8
Corporate Inc	23.8	-27.5	-10.8	-6.3	-5.4
Coal Severance	-6.6	-7.1	-1.8	5.8	-2.5
Property	20.6	-1.1	11.2	10.1	5.2
Lottery	3.1	5.3	4.1	-9.3	0.5
All Other	-8.2	21.3	-2.5	7.0	3.4

## Road Fund

Total Road Fund receipts declined by 2.4 percent during FY01. Total receipts of \$1,064.2 million compare to \$1,090.8 million collected in this fund during FY00.

The motor fuels taxes decline of 3.6 percent compares to a decline of 0.9 percent during FY00. Receipts of \$408.8 million compare to \$423.9 million collected during the previous fiscal year.

Motor vehicle usage tax receipts of \$396.8 million declined by 3.1 percent over the \$409.5 million collected in FY00. This compares to a growth rate of 9.0 percent experienced last year.

The performance of the weight distance tax was flat for the year with a growth of 0.0 percent. Growth last year was 7.1 percent. Receipts totaled \$75.1 million for this year and the last fiscal year.

The “all other” category increased slightly by 0.6 percent over the previous year. Total receipts in this category were \$ 183.4 million, which compares to \$182.3 million collected in FY00.

Table 13 displays the growth rates for the Road Fund and its major tax categories for the year as a whole and the four individual quarters.

**Table 13**  
**Road Fund Growth Rates for the**  
**Four Quarters and Full Year, FY01**  
**(Percent)**

	<b>First Qtr</b>	<b>Second Qtr</b>	<b>Third Qtr</b>	<b>Fourth Qtr</b>	<b>FY01</b>
Total Receipts	-4.6	1.8	-7.6	-1.1	-2.4
Motor Fuels	-7.9	7.3	-7.5	-4.6	-3.6
Motor Veh Usage	-6.7	-0.3	-5.6	0.7	-3.1
Weight Distance	4.7	1.2	-2.1	-3.6	0.0
All Other	8.6	-6.8	-13.2	15.1	0.6

## EMPOWER Kentucky

The EMPOWER Kentucky revenue enhancement initiatives have continued and expanded during FY01. Collections during the fiscal year are shown in Table 14. EMPOWER Kentucky is a program that funds, among other things, specific procedures within the Revenue Cabinet. These procedures are designed to collect certain revenues that are owed to the Commonwealth but are not voluntarily paid.

**Table 14**  
**EMPOWER Kentucky Collections**  
**During FY01**  
**(Millions of Dollars)**

<b>Type of Tax</b>	<b>Collections during FY01</b>
Individual Income	25.0
Corporation Income	1.3
Sales and Use Tax	17.3
Property Tax	13.6
Other	1.2
<b>TOTAL</b>	<b>58.4</b>

# Revenue Outlook

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## REVENUE OUTLOOK: Interim Forecast

The interim estimates of the General Fund and Road Fund do not represent a revision of the official revenue estimates of the Consensus Forecasting Group. The interim estimates are prepared independently by the Governor's Office for Economic Analysis in consultation with the Transportation and Revenue Cabinets, in compliance with KRS 48.400 and KRS 11.068. The estimates for the first three fiscal quarters of FY02 are presented.

### General Fund

Projected General Fund revenues for the next three quarters are shown in Table 15. General Fund revenues were \$6,653.7 million in FY01, yielding a growth rate of 2.7 percent over FY00. Anticipated revenues over the three-quarter forecast horizon total \$4,894.9 million, or a growth rate of 2.1 percent over the same period in FY00. The overall deceleration in growth is mainly attributed to the weakening economy.

Total **sales and use tax** receipts for the first three quarters of FY02 are anticipated to total \$1,759.7 million for a growth rate of 4.5 percent over the same period in FY00. In the previous fiscal year, the sales tax base was broadened to include switch access fees and interstate long-distance calls. These expansions were phased in over the course of the fiscal year, and most additional revenues did not appear until the third quarter. In this year, the phase-in is complete, which will boost revenues above their normal "economic" growth.

The interim forecast for the **individual income tax** calls for growth of 2.7 percent. Individual income tax revenues grew by just 2.8 percent in FY01; a continuation of economic circumstances should result in similar growth over the next three quarters.

The outlook for **corporation income and license taxes** is for a sharp decline from the same period last year. FY01 witnessed a decline of 1.8 percent in these two revenue sources. This was largely driven by the weakening corporate profits picture and a higher inventory of unpaid refunds. These two factors should further depress corporate taxes in the first three quarters of the current fiscal year.

The **coal severance tax** has rebounded in recent months in response to higher prices on the spot market. In spite of a limited ability to capitalize on this situation, coal severance tax receipts should climb in the next three fiscal quarters by 11.3 percent.

**Property taxes** ended FY01 5.2 percent higher than FY00 at \$398.8 million. The timing of property tax payments can affect the receipts during the fiscal year. Last year receipts normally received in the fourth quarter were accelerated somewhat. This is unlikely to be repeated, resulting in a forecast for the next three quarters of only 0.2 percent growth.

**Lottery revenues** grew 0.5 percent in FY01. Growth in lottery receipts has been affected recently by the rise of riverboat gambling available in nearby states. We anticipate a negligible decline in lottery revenues in the next three fiscal quarters based on a change in the timing of dividend payments by the Lottery Corporation.

The profuse "**other**" revenue category contains estimates for several of the smaller revenue sources not otherwise classified. We anticipate modest growth of 0.5 percent for collections of \$353.6 million during the first three quarters of FY02. Some of the larger items include invest-

ment income, inheritance taxes, cigarette and liquor excise taxes, and the bank franchise tax.

## Road Fund

Road Fund revenues for FY01 totaled \$1,064.2 million, or a decrease of 2.4 percent from FY00. Growth over the three-quarter forecasting horizon is expected to equal 0.7 percent. Higher fuel prices in FY01 led to declines in Road Fund revenues. With energy prices retreating, the outlook, despite the weak economy, is for modest growth in the major accounts of the Road Fund.

**Motor fuels tax** receipts are expected to increase by 1.0 percent during the first three quarters of FY01. Gasoline taxes should rise by more than this amount, but be offset by lower special fuels tax receipts.

**Motor vehicle usage tax** collections are expected to rise by 1.7 percent following their dismal performance in FY01. This improvement is made possible by a slight increase in the number of vehicles registered in the Commonwealth.

To estimate the growth of **all other components** of the Road Fund, Transportation officials and GOEA together assessed recent growth patterns as well as administrative factors in developing an updated estimate. Based on the latest evaluation, license and privilege taxes are expected to grow by 13.7 percent over the forecasting horizon. The weight distance tax and surcharge are estimated to increase by 2.1 percent. Toll income is expected to pick up and grow by 7.4 percent following a change in the handling of cash during FY01 that temporarily depressed net receipts.



**Table 15**  
**General Fund: Interim Forecast**  
**(millions of dollars)**  
**July 2001**

	FY01			FY02			Revenue Outlook		
	Quarter 4		% Chg	Quarters 1, 2 &3		% Chg			
	Actual		Year Ago	Interim		Year Ago			
				Estimate					
Sales & Use	\$563.8	4.0		\$1,759.7	4.5				
Individual Income	861.3	0.4		1,969.3	2.7				
Corp. Income & Lic.	182.7	-6.0		216.6	-15.0				
Coal Severance	38.7	5.8		114.4	11.3				
Property	44.0	10.1		364.3	0.2				
Lottery	39.0	-9.3		117.0	-0.9				
Other	131.7	14.4		353.6	0.5				
General Fund	\$1,861.4	1.8		\$4,894.9	2.1				

**Table 16**  
**Road Fund: Interim Forecast**  
(millions of dollars)  
**July 2001**

	<b>FY01</b>		<b>FY01</b>		<b>Difference</b>		<b>FY02</b>	
	<b>Quarter 4</b>		<b>Full Year</b>		<b>from</b>		<b>Quarters 1, 2 &amp; 3</b>	
	<b>% Chg</b>		<b>Official</b>		<b>Official</b>		<b>% Chg</b>	
	<b>Actual</b>	<b>Year Ago</b>	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Interim</b>	<b>Estimate</b>
Motor Fuels & MF Use/Surtax	\$108.9	-3.4	\$424.3	\$429.8	\$-5.5	\$318.5	1.0	
Motor Vehicle Usage & Rental	106.7	0.7	396.8	396.7	0.1	295.1	1.7	
License & Privilege (excl. WD)	59.1	17.0	116.5	96.9	19.6	65.2	13.6	
Weight Distance Tax/Surtax	18.3	-4.2	75.1	74.9	0.2	57.9	1.9	
Toll Income	3.4	-5.6	12.4	12.6	-0.2	9.7	7.8	
Other	22.5	--	39.0	50.8	-11.8	31.5	-28.4	
<b>Road Fund</b>	<b>\$318.9</b>	<b>10.5</b>	<b>\$1,064.1</b>	<b>\$1,061.7</b>	<b>\$2.4</b>	<b>\$777.9</b>	<b>0.7</b>	

Revenue Outlook

# Effects of the Economic Growth and Tax Relief Reconciliation Act of 2001 on Kentucky's Budget

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The Economic Growth and Tax Relief Reconciliation Act of 2001, signed into law by President Bush on June 7, 2001, will reduce federal taxes by \$1.35 trillion over the period 2001-2011. Analysts have examined the tax plan to determine the effects of the plan at the national level and have concluded that the majority of the tax savings come from the reductions in individual income tax rates, including the tax rebate (\$875 billion); an increase in the child care tax credit (\$172 billion); the phase-out of the estate and gift tax (\$138 billion); and the elimination of the marriage penalty (\$63 billion). This article looks at the tax changes and the effects they will have on Kentucky taxpayers and on the budget of the Commonwealth.

## **Tax Law Changes**

### ***New 10-Percent Rate Bracket***

A new 10 percent regular income tax bracket is created for a portion of taxable income currently taxed at 15 percent, effective for taxable years beginning after December 31, 2000. The 10 percent rate bracket applies to the first \$6,000 of taxable income for single individuals (\$7,000 for 2008 and thereafter), \$10,000 of taxable income for heads of households, and \$12,000 for married couples filing joint returns (\$14,000 for 2008 and thereafter).

### ***Reduction in Individual Income Tax Rates***

The other income tax rates are reduced according to the table shown below.

### ***Phase-Out of Itemized Deductions***

The limitation on itemized deductions is reduced by one-third in taxable years beginning in 2006 and 2007, and by two-thirds in taxable years beginning in 2008 and 2009. The overall limitation is eliminated for taxable years beginning after December 31, 2009.

### ***Phase-Out of Restrictions on Personal Exemptions***

The restrictions on personal exemptions is phased out. The applicable personal exemption phase-out is reduced by one-third in taxable years beginning in 2006 and 2007, and is reduced by two-thirds in taxable years beginning in 2008 and 2009. The provision is fully effective for taxable years beginning after December 31, 2009.

### ***Increase and Expand the Child Tax Credit***

The child tax credit is increased to \$1,000, phased-in over ten years, effective for taxable years beginning after December 31, 2000.

<b>Calendar Year</b>	<b>28% rate reduced to:</b>	<b>31% rate reduced to:</b>	<b>36% rate reduced to:</b>	<b>39.6% rate reduced to:</b>
2001-2003	27%	30%	35%	38.6%
2004-2005	26%	29%	34%	37.6%
2006 and later	25%	28%	33%	35.0%

### ***Extension and Expansion of Adoption Tax Benefits***

The adoption credit for children other than special needs children is extended and the maximum credit is increased to \$10,000 per eligible child, including special needs children.

### ***Expansion of Dependent Care Tax Credit***

The maximum amount of eligible employment-related expenses is increased from \$2,400 to \$3,000, if there is one qualifying individual (from \$4,800 to \$6,000, if there are two or more qualifying individuals) and increases the maximum credit from 30 percent to 35 percent.

### ***Marriage Penalty Relief***

The standard deduction for married couples is gradually raised beginning in 2005 so it will equal twice that of single taxpayers in 2009. Additionally, the 15 percent tax bracket is gradually enlarged beginning in 2005 so it will be twice that of singles in 2008.

### ***Modifications to Education IRAs***

The annual limit on contributions to education IRAs is increased from \$500 to \$2,000 and expands the definition of qualified education expenses that may be paid tax-free from an education IRA to include elementary and secondary school expenses.

### ***Phase-out and Repeal of Estate and Generation-Skipping Transfer Taxes***

The tax rates are gradually reduced while the transfer exemption is increased as shown in the table below.

### ***Pension and IRA Provisions***

The legislation makes extensive changes to the rules relating to IRAs and qualified pension plans. Among the changes are:

- (1) Increased contribution limits and catch-up contributions to IRAs;
- (2) Provisions for expanding coverage, including increased contribution and benefit limits for qualified plans, increases in elective deferral limits, and a credit for certain elective deferrals and IRA contributions;
- (3) Provisions to enhance fairness for women, including additional catch-up contributions for individuals over age 50;
- (4) Provisions for increasing portability for plan participants;
- (5) Provisions for strengthening pension security and enforcement; and
- (6) Provisions for reducing regulatory burdens.

<b>Calendar Year</b>	<b>Transfer Exemption</b>	<b>Estate and Gift Tax Rates</b>
2003	\$1 million	50%
2003	\$1 million	49%
2004	\$1.5 million	48%
2005	\$1.5 million	47%
2006	\$2 million	46%
2007	\$2 million	45%
2008	\$2 million	45%
2009	\$3.5 million	45%
2010	Taxes repealed	

### ***AMT Relief***

The individual alternative minimum tax exing from the repeal of the estate tax. Preliminary estimates indicate Kentucky's General Fund will fall by \$253 million while the Road Fund will rise by \$45 million over the life of the plan.

This increase in spending is one of two direct impacts the tax law will have on the state's tax receipts. The second effect is the phase-out and repeal of the estate tax. The rollback of the estate tax directly reduces General Fund tax receipts since Kentucky has an estate tax that is a "pick-up" tax. The Kentucky estate tax is the difference between Kentucky's portion of the state death tax credit on the federal estate tax return and any Kentucky inheritance tax due. A pick-up tax works as if Kentucky had enacted an estate tax with a base and tax rates equal to the state death tax credit schedule under federal law. Currently, Kentucky taxpayers calculate their federal estate tax and claim a credit on their federal return equal to the amount of their Kentucky death tax liability and any death taxes paid to other states. Since the tax plan reduces the state death tax credit rates, Kentucky estate tax liabilities are reduced and tax receipts fall. General Fund tax receipts are further reduced by the increase in the amount of the estate excluded from taxation.

The Kentucky budget will be affected in a third way when the Internal Revenue Code (IRC) reference date is updated in the 2002 legislative session. The update will change the IRC in 441 places; some of the changes will benefit Kentucky taxpayers while others will not. The revenue effects in this article do not include the update to the IRC since analysts in GOEA and the Kentucky Revenue Cabinet are still working to determine the full impact of these changes.

### **Tax Savings at the Federal and State Levels**

Tables 17 and 18 show the impact of the new tax law for U.S. and Kentucky taxpayers. Note that the total U.S. impact is less than \$1.35 trillion. The reason for the difference is that the figures reported here are for Kentucky Fiscal Years (July-June) rather than Federal Fiscal Years (October-September).

The estimated federal impacts grow slowly over time, ranging from \$85.5 billion in FY03 to \$182.2 billion in 2010 as shown in Table 17. Reductions in individual income tax rates account for the majority of the reduction in receipts, particularly in the early years as the other components of the tax plan are phased in.

Table 18 shows how Kentucky taxpayers can expect to fare under the plan. The results are similar to those at the federal level – tax savings gradually increase over time as more components of the plan are phased in and reach their maximum levels. Additionally, the greatest impacts in the early years come from reductions in the individual income tax rates.

The Kentucky impacts were calculated by apportioning the federal estimates based on selected ratios. For instance, a ratio of the amount of individual income tax paid by Kentuckians relative to all U.S. taxpayers was calculated and applied to the federal impact in a particular year to estimate the effects of tax rate reductions, the marriage penalty, education, and the child tax credit. Similar ratios were calculated for the estate tax and pension/IRA provisions.

### **General and Road Fund Effects**

More noteworthy is the information in Table 19, the effects of the tax legislation on Kentucky's

**Table 17**

**Impact on Federal Revenue Receipts from the Federal Tax Reduction Proposal**  
(Billions of Dollars)

<b>Kentucky Fiscal Years</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2001-11</b>
Reductions in Income Tax Rates	0.0	-81.1	-59.8	-67.4	-72.1	-87.9	-100.4	-107.6	-113.0	-117.4	-58.6	-865.2
Reduction of Marriage Penalty	0.0	0.0	-0.6	-1.2	-4.9	-9.0	-10.7	-10.5	-10.3	-9.5	-5.5	-62.1
Repeal of Estate & Gift Taxes	0.0	-0.1	-5.3	-6.0	-7.1	-5.4	-8.8	-11.9	-13.0	-20.9	-46.3	-124.6
Promotion of Education	0.0	-1.9	-3.3	-4.1	-4.6	-3.3	-2.4	-2.5	-2.7	-3.0	-1.5	-29.3
Increase in Child Tax Credit	0.0	-7.5	-9.8	-10.4	-12.3	-16.9	-18.8	-19.3	-20.2	-24.0	-26.0	-165.2
Pension/IRA Provisions	0.0	-1.4	-3.6	-4.4	-5.1	-5.7	-5.4	-5.2	-5.8	-6.5	-5.3	-48.4
AMT Relief and Miscellaneous	0.0	-1.8	-3.4	-5.0	-4.7	-1.7	-0.9	-0.9	-0.9	-0.9	-0.7	-20.9
<b>Net Total</b>	<b>0.0</b>	<b>-93.8</b>	<b>-85.5</b>	<b>-98.5</b>	<b>-110.8</b>	<b>-129.9</b>	<b>-147.4</b>	<b>-157.9</b>	<b>-165.9</b>	<b>-182.2</b>	<b>-143.9</b>	<b>-1,315.6</b>

**Table 18**

**Federal Tax Reduction for Kentucky Residents**  
(Millions of Dollars)

Reductions in Income Tax Rates	0.0	-779.7	-574.6	-648.5	-693.4	-845.6	-965.6	-1,035.1	-1,086.3	-1,128.6	-563.8	-7,757.4
Reduction of Marriage Penalty	0.0	0.0	-5.8	-11.3	-47.1	-86.8	-102.7	-101.2	-98.6	-90.9	-53.1	-544.3
Repeal of Estate & Gift Taxes	0.0	-0.7	-50.7	-57.2	-68.3	-51.5	-84.6	-114.0	-125.0	-201.2	-445.3	-753.3
Promotion of Education	0.0	-18.0	-31.3	-39.4	-44.2	-31.5	-23.3	-23.6	-26.2	-29.1	-14.7	-266.6
Increase in Child Tax Credit	0.0	-71.9	-93.8	-100.3	-117.8	-162.8	-181.0	-185.6	-194.5	-231.1	-249.6	-1,338.7
Pension/IRA Provisions	0.0	-13.7	-34.1	-42.3	-49.0	-54.6	-52.2	-50.3	-55.8	-62.8	-50.7	-414.8
AMT Relief and Miscellaneous	0.0	-17.6	-32.2	-47.8	-45.4	-16.6	-8.4	-8.7	-8.7	-8.7	-6.5	-194.0
<b>Net Total</b>	<b>0.0</b>	<b>-901.6</b>	<b>-822.5</b>	<b>-946.8</b>	<b>-1,065.4</b>	<b>-1,249.3</b>	<b>-1,417.8</b>	<b>-1,518.4</b>	<b>-1,595.0</b>	<b>-1,752.3</b>	<b>-1,383.7</b>	<b>-11,269.2</b>

*Note: The total federal tax reduction is less than the reported \$1.34T because Kentucky's fiscal year is different from the federal fiscal year.*

**Table 19**

**Kentucky General and Road Fund Impacts**  
(Millions of Dollars)

<b>Kentucky Fiscal Years</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2001-11</b>
Gen. Fund - Increased Spending	0.0	13.0	11.8	13.6	15.3	18.0	20.4	21.9	23.0	25.2	19.9	182.2
Gen. Fund - Estate Tax Provisions	0.0	0.0	-11.3	-23.9	-37.7	-52.9	-55.8	-58.7	-61.8	-65.1	-68.6	-435.8
<b>Total General Fund</b>	<b>0.0</b>	<b>13.0</b>	<b>0.5</b>	<b>-10.3</b>	<b>-22.4</b>	<b>-34.9</b>	<b>-35.4</b>	<b>-36.8</b>	<b>-38.8</b>	<b>-39.9</b>	<b>-48.7</b>	<b>-253.6</b>
Road Fund - Increased Spending	0.0	3.2	3.0	3.4	3.8	4.5	5.1	5.5	5.7	6.3	5.0	45.6
<b>Total Road Fund</b>	<b>0.0</b>	<b>3.2</b>	<b>3.0</b>	<b>3.4</b>	<b>3.8</b>	<b>4.5</b>	<b>5.1</b>	<b>5.5</b>	<b>5.7</b>	<b>6.3</b>	<b>5.0</b>	<b>45.6</b>

General and Road Funds. The impacts come from two sources – increased spending resulting from lower federal tax payments by Kentuckians; and the loss of the estate tax.

The increased spending effects were calculated by assuming one-third of the federal tax savings accruing to Kentuckians will be spent on taxable goods and services. The expenditures were apportioned between sales and motor vehicle usage taxes on an 80/20 split, or about the ratio of the two taxes.

The estate tax component was estimated by growing Kentucky's inheritance and estate tax receipts out to 2011 using the average annual increase in household net worth. The taxes were then separated based on a Revenue Cabinet estimate that estate tax receipts make up 54 percent of the total combined tax. The final step was to reduce the estate tax receipts by the reduction in the state death tax credit and to account for increases in the transfer exemption.

Table 19 gives the total impacts of the legislation. It is estimated that over the 11-year period, the

General Fund will fall by \$253 million as the loss of the estate tax outweighs the benefits of increased spending. FY01 will see no effect since taxpayers will not receive refund checks until late July or early August at the earliest. We expect an increase in FY02 since the estate tax reduction will not have an impact until the following year. From FY03 until FY11, General Fund receipts are expected to decline, with a maximum loss of \$48.7 million occurring in 2011.

The Road Fund is expected to show an increase of \$45 million in receipts since the only influence on it is the increase in spending. The annual increases are relatively small and gradually increase from \$3 million to \$6.3 million in 2010.

An analysis of the Economic Growth and Tax Relief Reconciliation Act of 2001 shows Kentucky taxpayers will benefit from lower federal tax payments but Kentucky tax receipts will fall over the life of the plan. It is unknown, however, how the Kentucky legislature will react to the revenue shortfalls. One possible outcome is that state taxes could rise in the future to offset the drop in taxes, cutting into the taxpayers savings.

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# Streamlined Sales Tax Project

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The Streamlined Sales Tax Project (SSTP) is an effort created by state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax collection and administration. The Project's proposals will incorporate uniform definitions within tax bases, simplified audit and administrative procedures, and emerging technologies to substantially reduce the burdens of tax collection. The Streamlined Sales Tax System is focused on improving sales and use tax administration systems for both Main Street and remote sellers for all types of commerce. Thirty-nine states are currently involved in the project, which has the support of the National Governors' Association, National Conference of State Legislatures, Federation of Tax Administrators, and the Multistate Tax Commission. Thirty-two states are voting participants in the project because their legislatures have enacted enabling legislation or their governors have issued executive orders or a similar authorization. Seven states are non-voting participants in the work of the project because they do not have the formal commitment of the state executive or legislative branches.

The Streamlined Sales Tax Project began in early 2000 as an initiative by state governments with input from local governments and the private sector to simplify and modernize sales and use tax administration for all types of commerce. Kentucky has been a participant in the project since its inception. Representatives from the Governor's Office for Economic Analysis, the Governor's Office for Technology, and the Kentucky Revenue Cabinet have played an active role in the deliberations of the SSTP.

At its March 2000 meeting, the rules adopted by the Streamlined Sales Tax Project anticipated two levels of activity in the Project as dictated by

the executive and legislative branches in each interested state. "Participating" states represent those states in which the Governor has signed an Executive Order or the legislature has passed legislation authorizing state personnel to participate in the discussions of the Project. Participating states are also voting representatives in the Project. "Observer" states represent those states that have expressed an interest in the Project's mission but have not received the executive or legislative authorization to become a Participating state. Observer states participate in all SSTP meetings but do not have voting status within the Project.

The simplified system will incorporate uniform definitions within tax bases, simplified audit and administrative procedures, and emerging technologies to substantially reduce the burdens of tax collection. The focus of the project is to improve sales and use tax collection and administration systems for both Main Street retailers, remote sellers, and for states.

The project has addressed its issues through a steering committee and four work groups: Tax Base and Exemption Administration; Tax Rates, Registration, Returns and Remittances; Technology, Audit, Privacy and Paying for the System; and Sourcing and Other Simplifications. Businesses—including national retailers, trade associations, manufacturers, technology companies, and others—have actively participated in Project meetings by reviewing proposals and providing feedback to the states on key elements of the new system.

The key features of the Streamlined Sales Tax System include:

- Uniform definitions within tax bases. Legislatures still choose what is taxable and exempt but will use the common definitions for key items in the tax base.

- Simplified exemption administration for use—and entity—based exemptions. Sellers are relieved of the “good faith” requirements that exist in current law and will not be liable for uncollected tax. Purchasers will be responsible for incorrect exemptions claimed.
- Rate simplification. States will be responsible for the administration of all state and local taxes and the distribution of the local taxes to the local governments.
- State and local governments will use common tax bases and accept responsibility for notice of rate and boundary changes. States will be encouraged to simplify their own state and local tax rates.
- Uniform sourcing rules. The states will have uniform sourcing rules for all property and services.
- Uniform audit procedures. Sellers who participate in one of the certified Streamlined Sales Tax System technology models will either not be audited or will have a limited scope audit, depending on the technology model used.
- Paying for the system. To reduce the financial burdens on sellers, states will assume the responsibility for implementing the Streamlined Sales Tax System. Participation in the system by both vendors and states is voluntary. Also, registration by vendors in the Streamlined Sales Tax System does not imply nexus for business activity or income tax purposes.

The Streamlined Sales Tax System will provide sellers the opportunity to use one of three technology models. A seller may select Model 1 where a Certified Service Provider performs all of the seller’s sales tax functions. A seller may select Model 2, a Certified Automated System, to perform only the tax calculation function. A larger seller with nationwide sales that has developed its own proprietary sales tax software may select Model 3 and have its own system certified by the states. However, some sellers may choose to continue to use their current systems and still enjoy the benefits of simplification.

In May 2000 the Project approved a motion to authorize formation and implementation of a pilot project to test currently available technology to allow third parties to provide tax calculation, collection, and reporting services. The states of Kansas, Michigan, North Carolina, and Wisconsin indicated a willingness to participate in the pilot. In June 2000 North Carolina issued a Request for Proposal (RFP) outlining the requirements for vendors interested in submitting proposals. Nine companies submitted proposals. Representatives from the four states reviewed the proposals and in September contracts were awarded to four companies to act as Certified Service Providers (CSPs) for the pilot. Currently the pilot project is operational. Recruitment of retailers willing to sign on to use one of the CSPs has been slow. It is hoped that once the experimental phase of the pilot project is completed, more retailers, and especially remote retailers, will participate.

On December 22, 2000 state representatives to the Streamlined Sales Tax Project voted to approve a Uniform Sales and Use Tax Administration Act and Streamlined Sales and Use Tax Agreement. State legislatures began considering the Act and Agreement in January 2001. As of late June, 2001, fifteen states have enacted a version of the Act or the Agreement. In Kentucky, HB 367 of the 2001 General Assembly was passed and signed into law by Governor Patton on March 13. The passage of this act authorizes Kentucky to continue to work with other states to implement a streamlined sales tax system. The approval of the Act and Agreement provides the basis for states to enact legislation to provide the benefits of simplification to vendors in their state. However, the Project will continue its work throughout 2001 to incorporate additional elements into the system. These elements may include additional uniform definitions, a uniform tax return, and revisions to the technology models based upon information gained through the testing of tax collection software. Persons interested in following the activities of the SSTP can do so at the Project’s web site: [www.streamlinedsalestax.org](http://www.streamlinedsalestax.org).

**APPENDIX A**  
**Detailed Revenue Receipts**  
**Fourth Quarter 2001:4**

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**KENTUCKY STATE GOVERNMENT**  
**1. GENERAL FUND REVENUE**

	<b>Fourth Quarter 2000 - 2001</b>	<b>Fourth Quarter 1999 - 2000</b>	<b>% Change</b>	<b>Year-to Date 2000 - 2001</b>	<b>Year-to Date 1999 - 2000</b>	<b>% Change</b>
<b>TOTAL GENERAL FUND</b>	<b>\$1,861,349,957</b>	<b>\$1,829,020,721</b>	<b>1.8%</b>	<b>\$6,653,897,653</b>	<b>\$6,478,385,032</b>	<b>2.7%</b>
Tax Receipts	1,782,612,319	1,756,553,036	1.5%	6,377,917,219	6,200,475,504	2.9%
Sales and Gross Receipts	618,448,087	596,072,577	3.8%	2,435,481,566	2,356,212,660	3.4%
Beer Consumption	1,682,463	1,703,348	-1.2%	6,272,031	6,284,242	-0.2%
Beer Wholesale	8,847,483	8,314,428	6.4%	32,582,889	32,101,648	1.5%
Cigarette	3,686,503	3,566,742	3.4%	14,007,582	14,184,888	-1.2%
Distilled Spirits Case Sales	20,207	20,039	0.8%	82,529	82,871	-0.4%
Distilled Spirits Consumption	1,940,755	2,024,476	-4.1%	8,184,798	8,211,541	-0.3%
Distilled Spirits Wholesale	3,673,079	3,504,549	4.8%	14,809,730	14,055,368	5.4%
Insurance Premium	30,381,655	29,970,887	1.4%	96,825,818	95,355,564	1.5%
Pari-Mutuel	2,465,827	2,936,372	-16.0%	6,182,083	6,645,098	-7.0%
Race Track Admission	40,953	42,811	-4.3%	216,615	220,824	-1.9%
Sales and Use	563,827,393	542,170,445	4.0%	2,248,471,100	2,171,397,969	3.5%
Wine Consumption	430,918	419,707	2.7%	1,743,393	1,748,839	-0.3%
Wine Wholesale	1,450,850	1,398,773	3.7%	6,102,998	5,923,809	3.0%
License and Privilege	117,500,340	117,251,682	0.2%	373,309,229	364,098,883	2.5%
Alc. Bev. License Suspension	100,350	12,650	693.3%	193,800	49,150	294.3%
Coal Severance	38,730,776	36,603,112	5.8%	141,553,087	145,139,909	-2.5%
Corporation License	65,931,613	69,836,421	-5.6%	147,515,402	139,127,819	6.0%
Corporation Organization	48,427	111,008	-56.4%	227,655	369,916	-38.5%
Occupational Licenses	57,674	73,419	-21.4%	107,737	132,811	-18.9%
Oil Production	879,088	896,998	-2.0%	3,358,036	2,967,395	13.2%
Race Track License	37,500	108,700	-65.5%	320,800	405,500	-20.9%
Bank Franchise Tax	3,242,010	2,502,336	29.6%	49,610,220	53,061,798	-6.5%
Driver License Fees	119,254	158,007	-24.5%	391,939	475,167	-17.5%
Minerals Severance	2,936,661	4,534,059	-35.2%	12,710,667	13,923,246	-8.7%
Natural Gas Severance	5,416,988	2,414,974	124.3%	17,319,885	8,446,173	105.1%
Income	978,075,255	982,275,621	-0.4%	3,068,472,462	3,008,055,957	2.0%
Corporation	116,732,629	124,573,601	-6.3%	289,931,017	306,442,050	-5.4%
Individual	861,342,626	857,702,020	0.4%	2,778,541,444	2,701,613,908	2.8%
Property	44,040,522	39,992,557	10.1%	407,494,858	387,257,800	5.2%
Bank Deposits	57,070	29,558	93.1%	412,646	433,962	-4.9%
Building & Loan Association	2,113,171	2,378,120	-11.1%	2,482,623	2,491,414	-0.4%
Distilled Spirits	145,402	(5,980)	—	360,248	443,880	-18.8%
General - Intangible	484,300	308,862	56.8%	22,551,153	22,721,743	-0.8%
General - Real	5,625,944	6,205,161	-9.3%	171,524,695	167,326,472	2.5%
General - Tangible	29,745,800	26,025,449	14.3%	140,466,295	130,960,897	7.3%
Marginal Accounts	53,623	35,630	50.5%	110,330	49,206	124.2%
Omitted & Delinquent	(671,096)	(759,474)	—	20,605,462	15,543,134	32.6%
Public Service	6,477,726	5,773,857	12.2%	48,883,924	46,882,428	4.3%
Other	8,582	1,374	524.4%	97,483	404,665	—
Inheritance	22,125,404	18,529,743	19.4%	83,461,499	74,489,980	12.0%
Miscellaneous	2,422,711	2,430,856	-0.3%	9,697,606	10,360,222	-6.4%
Legal Process	948,554	916,129	3.5%	3,597,385	3,457,281	4.1%
T. V. A. In Lieu Payments	1,447,794	1,500,321	-3.5%	6,046,676	6,842,117	-11.6%
Other	26,363	14,406	83.0%	53,545	60,824	-12.0%
Nontax Receipts	75,466,769	70,761,289	6.6%	266,792,632	271,911,197	-1.9%
Departmental Fees	13,959,755	10,716,232	30.3%	29,660,499	32,719,509	-9.3%
Fines & Forfeitures	10,162,052	11,301,687	-10.1%	40,749,856	46,056,986	-11.5%
Interest on Investments	11,910,389	4,158,056	186.4%	28,217,850	28,077,454	0.5%
Lottery	39,000,000	43,000,000	-9.3%	157,030,000	156,300,000	0.5%
Miscellaneous	434,573	1,585,314	-72.6%	11,134,428	8,757,248	27.1%
Redeposit of State Funds	3,270,870	1,706,396	91.7%	9,187,802	5,998,332	53.2%

**KENTUCKY STATE GOVERNMENT**  
**2. ROAD FUND REVENUE**

	<b>Fourth Quarter 2000 - 2001</b>	<b>Fourth Quarter 1999 - 2000</b>	<b>% Change</b>	<b>Year-to Date 2000-2001</b>	<b>Year-to Date 1999-2000</b>	<b>% Change</b>
<b>TOTAL ROAD FUND</b>	<b>\$291,657,609</b>	<b>\$288,499,744</b>	<b>1.1%</b>	<b>\$1,064,181,565</b>	<b>\$1,090,777,823</b>	<b>-2.4%</b>
State Road Fund	270,635,219	275,948,840	-1.9%	992,142,884	1,031,467,147	-3.8%
Tax Receipts - County Share	10,808,073	12,097,378	-10.7%	21,000,859	23,828,279	-11.9%
Total Tax Receipts	281,443,292	288,046,217	-2.3%	1,013,143,743	1,055,295,426	-4.0%
Sales and Gross Receipts	215,729,065	218,781,566	-1.4%	821,552,966	849,700,352	-3.3%
Motor Fuels Taxes	104,281,431	109,254,798	-4.6%	408,801,115	423,876,350	-3.6%
Motor Fuels Use & Surtax	4,641,219	3,420,718	35.7%	15,492,738	15,905,614	-2.6%
Truck Trip Permits (fuel)	115,760	122,140	-5.2%	447,020	451,689	-1.0%
Motor Vehicle Usage	106,690,654	105,983,911	0.7%	396,812,093	409,466,699	-3.1%
License and Privilege	65,714,228	69,264,651	-5.1%	191,590,777	205,595,074	-6.8%
Motor Vehicles	42,313,622	44,199,929	-4.3%	97,862,817	109,452,066	-10.6%
Motor Vehicle Operators	1,570,075	1,852,184	-15.2%	5,592,769	5,689,329	-1.7%
Weight Distance	18,420,076	19,107,091	-3.6%	75,170,141	75,144,201	0.0%
Truck Decal Fees	574,571	581,475	-1.2%	727,675	738,342	-1.4%
Other Special Fees	2,835,883	3,523,971	-19.5%	12,237,376	14,571,136	-16.0%
Nontax Receipts	20,822,589	12,349,008	68.6%	69,204,781	58,580,538	18.1%
Departmental Fees	3,893,991	3,030,929	28.5%	13,772,863	13,184,982	4.5%
In Lieu of Traffic Fines	558,167	468,511	19.1%	2,005,215	1,662,262	20.6%
Highway Tolls	3,412,540	3,640,757	-6.3%	12,410,901	13,474,101	-7.9%
Investment Income	12,686,948	4,968,801	155.3%	40,187,239	29,418,349	36.6%
Miscellaneous	270,944	240,010	12.9%	828,562	840,843	-1.5%
Redeposit of State Funds	199,800	201,896	-1.0%	2,833,900	730,138	288.1%

**APPENDIX B**  
**Summary Statistics for General and Road Funds**  
**Fiscal Years 1991/92 - 2000/01**

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**APPENDIX B**  
**SUMMARY STATISTICS FOR GENERAL AND ROAD FUNDS**  
**MAJOR REVENUE SOURCES**  
**FISCAL YEARS 1991-2001**

<b>GENERAL FUND TOTAL RECEIPTS</b>			<b>ALCOHOLIC BEVERAGE TAXES Malt Beverage</b>		
<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>	<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 6,653,897,653	2.7%	2000-01	\$ 38,854,920	1.2%
1999-00	6,478,385,032	4.5%	1999-00	38,385,890	4.1%
1998-99	6,198,387,525	3.1%	1998-99	36,870,323	2.6%
1997-98	6,011,806,561	6.1%	1997-98	35,937,878	3.2%
1996-97	5,663,553,824	6.1%	1996-97	34,830,419	1.0%
1995-96	5,336,883,824	3.5%	1995-96	34,489,349	2.0%
1994-95	5,154,077,980	10.9%	1994-95	33,812,169	3.9%
1993-94	4,647,078,322	3.0%	1993-94	32,553,876	4.4%
1992-93	4,511,721,822	3.5%	1992-93	31,172,541	2.5%
1991-92	4,360,835,365	1.1%	1991-92	30,404,806	4.8%

<b>GENERAL FUND TOTAL TAX RECEIPTS</b>			<b>Distilled Spirits</b>		
<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>	<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 6,377,917,219	2.9%	2000-01	\$ 23,077,057	3.3%
1999-00	6,200,475,504	4.8%	1999-00	22,349,780	4.3%
1998-99	5,917,216,645	3.4%	1998-99	21,432,736	2.2%
1997-98	5,722,452,608	5.8%	1997-98	20,979,849	2.1%
1996-97	5,408,832,505	6.2%	1996-97	20,548,503	0.3%
1995-96	5,095,157,184	3.3%	1995-96	20,493,441	3.0%
1994-95	4,931,201,083	10.6%	1994-95	19,897,599	-0.3%
1993-94	4,459,648,594 *	3.0%	1993-94	19,960,515	0.2%
1992-93	4,329,156,325	3.6%	1992-93	19,923,344	2.2%
1991-92	4,177,324,418	0.6%	1991-92	19,485,739	0.9%

\*Adjusted for small math error.

**Wine**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 7,846,391	2.3%
1999-00	7,672,648	8.8%
1998-99	7,049,136	7.6%
1997-98	6,551,316	7.6%
1996-97	6,085,828	8.5%
1995-96	5,610,308	15.7%
1994-95	4,847,726 *	7.9%
1993-94	4,492,841	0.9%
1992-93	4,454,161	4.2%
1991-92	4,273,359	4.6%

**COAL SEVERANCE TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 141,553,087	-2.5%
1999-00	145,139,909	-6.0%
1998-99	154,476,772	-5.7%
1997-98	163,731,038	0.1%
1996-97	163,545,844	-1.5%
1995-96	166,101,045	-7.3%
1994-95	179,116,944	-0.4%
1993-94	179,844,327	-0.2%
1992-93	180,117,668	-2.7%
1991-92	185,102,332	-3.1%

\*Adjusted for small math error

**CIGARETTE TAX\***

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 14,007,582	-1.2%
1999-00	14,184,888	-3.3%
1998-99	14,673,839	-3.0%
1997-98	15,130,443	-5.7%
1996-97	16,044,967	2.3%
1995-96	15,680,704	3.7%
1994-95	15,126,270	5.9%
1993-94	14,285,746	2.1%
1992-93	13,994,590	-0.4%
1991-92	14,044,608	-1.6%

**CORPORATION INCOME TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 289,931,017	-5.4%
1999-00	306,442,050	-1.8%
1998-99	312,066,675	-6.5%
1997-98	333,666,393	14.0%
1996-97	292,753,126	2.8%
1995-96	284,732,573	-16.5%
1994-95	340,912,408	26.7%
1993-94	269,067,231	5.6%
1992-93	254,775,357	-6.0%
1991-92	271,026,952	-15.1%

\*The cigarette tax is levied at the rate of 3 cents per pack. These totals reflect the 2.5 cents per pack that are deposited into the General Fund. The remaining 0.5 cent per pack is dedicated to tobacco research and is deposited in the Tobacco Research Trust Fund.

**CORPORATION LICENSE TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 147,515,402	6.0%
1999-00	139,127,819	10.5%
1998-99	125,912,523	11.7%
1997-98	112,763,161	4.9%
1996-97	107,498,746	18.8%
1995-96	90,515,183 **	-7.1%
1994-95	97,449,950 *	18.8%
1993-94	82,031,324 *	-5.8%
1992-93	87,061,523	6.3%
1991-92	81,926,247	0.3%

\* Adjusted for small math error.

\*\* Corrected for posting error.

**INHERITANCE AND ESTATE TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 83,461,499	12.0%
1999-00	74,489,981	-8.6%
1998-99	81,483,083	-22.8%
1997-98	105,538,130	10.8%
1996-97	95,287,282	17.0%
1995-96	81,441,427 *	2.4%
1994-95	79,511,634	4.4%
1993-94	76,135,351	7.3%
1992-93	70,965,470	-8.3%
1991-92	77,354,648	12.6%

\*Phase-in of Class A beneficiary exemption began July 1, 1995.

**INDIVIDUAL INCOME TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 2,778,541,444	2.8%
1999-00	2,701,613,908	6.7%
1998-99	2,532,005,348	4.7%
1997-98	2,418,144,438	9.7%
1996-97	2,205,022,964	6.3%
1995-96	2,074,572,167	5.6%
1994-95	1,964,843,490	13.6%
1993-94	1,729,182,293	-0.2%
1992-93	1,733,415,059	3.3%
1991-92	1,678,525,589	-0.9%

**INSURANCE PREMIUMS TAX  
Foreign Life Insurance Companies**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 34,775,487	-3.2%
1999-00	35,909,807	8.5%
1998-99	33,085,292	-5.8%
1997-98	35,116,933	6.1%
1996-97	33,086,032	-8.5%
1995-96	36,165,049	6.5%
1994-95	33,966,941	-10.7%
1993-94	38,057,960	11.1%
1992-93	34,268,972	1.7%
1991-92	33,703,047	15.7%

**Insurance Companies Other than Life**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 59,118,323	3.7%
1999-00	57,000,964	4.7%
1998-99	54,431,503	3.5%
1997-98	52,600,230	4.5%
1996-97	50,318,931	3.4%
1995-96	48,687,419	7.0%
1994-95	45,515,163	6.5%
1993-94	42,720,970	5.1%
1992-93	40,631,761	2.1%
1991-92	39,781,751	3.3%

**MINERALS AND NATURAL GAS TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 30,030,552	34.2%
1999-00	22,369,419	18.0%
1998-99	18,954,883	-6.1%
1997-98	20,192,086	0.7%
1996-97	20,051,609	15.4%
1995-96	17,378,785	17.6%
1994-95	14,783,614	-11.6%
1993-94	16,718,727	8.1%
1992-93	15,463,902	18.0%
1991-92	13,105,878	-16.7%

**LOTTERY RECEIPTS**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 157,030,000	0.5%
1999-00	156,300,000	1.6%
1998-99	153,800,000	0.5%
1997-98	153,000,000	1.3%
1996-97	151,000,000	2.7%
1995-96	147,000,000	8.1%
1994-95	136,000,000	19.3%
1993-94	114,000,000	14.0%
1992-93	100,000,000	0.0%
1991-92	100,000,000	37.0%

**OIL PRODUCTION TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 3,358,036	13.2%
1999-00	2,967,395	120.6%
1998-99	1,344,942	-37.0%
1997-98	2,135,211	-29.9%
1996-97	3,044,497	15.1%
1995-96	2,644,656	-5.0%
1994-95	2,784,562	3.2%
1993-94	2,697,560	-38.9%
1992-93	4,413,136	-7.2%
1991-92	4,756,184	-18.3%

**PARI-MUTUEL TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 6,182,083	-7.0%
1999-00	6,645,098	-7.4%
1998-99	7,179,163	48.1%
1997-98	4,845,921	-18.0%
1996-97	5,911,958	-17.3%
1995-96	7,148,951	-1.5%
1994-95	7,256,986	18.3%
1993-94	6,134,317	-1.8%
1992-93	6,247,368	-8.8%
1991-92	6,852,421	6.5%

**Property Taxes - Real Estate**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 171,524,695	2.5%
1999-00	167,326,472	3.5%
1998-99	161,723,137	4.8%
1997-98	154,245,453	-9.3%
1996-97	170,063,059 *	19.2%
1995-96	142,728,406	7.2%
1994-95	133,200,108	0.8%
1993-94	132,125,477	4.6%
1992-93	126,333,184	3.4%
1991-92	122,146,269	5.7%

\* Some tangible property tax receipts were erroneously credited to real property receipts accounts.

**TOTAL PROPERTY TAXES**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 407,494,858	5.2%
1999-00	387,257,800	4.5%
1998-99	370,404,549	2.1%
1997-98	362,792,501	-12.6%
1996-97	414,858,124	1.4%
1995-96	409,176,706	3.5%
1994-95	395,324,665	6.8%
1993-94	370,199,709	4.4%
1992-93	354,757,842	4.8%
1991-92	338,548,264	4.7%

**Property Taxes - Tangible**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 140,466,295	7.3%
1999-00	130,960,896	4.3%
1998-99	125,564,658	-0.2%
1997-98	125,753,465	0.9%
1996-97	124,637,468 *	-9.6%
1995-96	137,812,773	20.8%
1994-95	114,122,717	9.2%
1993-94	104,501,822	10.8%
1992-93	94,346,047	4.5%
1991-92	90,281,298	7.3%

\* Some tangible property tax receipts were erroneously credited to real property receipts accounts.

**Property Taxes - Intangible**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 22,551,153	-0.8%
1999-00	22,721,743	25.5%
1998-99	18,103,920	-14.3%
1997-98	21,129,328 *	-54.7%
1996-97	46,631,437 *	-29.9%
1995-96	66,489,089	-20.4%
1994-95	83,479,482	7.9%
1993-94	77,393,521	-0.5%
1992-93	77,751,342	11.1%
1991-92	69,961,863	-2.0%

\*Shares of stock were exempted from property tax.

**ROAD FUND  
TOTAL RECEIPTS\***

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 1,064,181,565	-2.4%
1999-00	1,090,777,822	3.2%
1998-99	1,056,596,153	4.4%
1997-98	1,011,789,675	5.4%
1996-97	960,183,780	2.2%
1995-96	939,910,490	4.4%
1994-95	900,619,387	4.4%
1993-94	862,826,425	5.2%
1992-93	820,411,480	4.9%
1991-92	781,808,152	2.1%

\* Does not include federal grants.

**SALES AND USE TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 2,248,471,100	3.5%
1999-00	2,171,397,969	4.1%
1998-99	2,085,899,677	5.3%
1997-98	1,981,297,580	5.2%
1996-97	1,882,681,995	5.5%
1995-96	1,783,881,316	6.2%
1994-95	1,680,520,815	7.7%
1993-94	1,560,085,519	6.7%
1992-93	1,462,251,261	7.2%
1991-92	1,363,690,026	5.2%

**ROAD FUND  
TOTAL TAX RECEIPTS**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 1,013,143,743	-4.0%
1999-00	1,055,295,426	4.2%
1998-99	1,013,091,830	5.4%
1997-98	961,522,616	4.5%
1996-97	919,796,955	2.3%
1995-96	899,036,284	3.5%
1994-95	868,711,393	3.8%
1993-94	836,526,817	5.5%
1992-93	792,914,736	6.9%
1991-92	741,489,481	3.3%

**MOTOR FUELS TAXES**  
**Motor Fuels Normal**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$408,801,115	-3.6%
1999-00	423,876,351	-0.9%
1998-99	427,848,100	8.0%
1997-98	396,123,781	1.4%
1996-97	390,688,336	3.3%
1995-96	378,142,941	1.3%
1994-95	373,316,977	4.2%
1993-94	358,435,307	1.4%
1992-93	353,651,330	4.5%
1991-92	338,517,487	3.4%

**MOTOR VEHICLE  
OPERATOR'S LICENSE**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 5,592,769	-1.7%
1999-00	5,689,329	5.3%
1998-99	5,400,685	3.0%
1997-98	5,241,595	-2.1%
1996-97	5,355,648	4.8%
1995-96	5,110,387	-1.2%
1994-95	5,170,423	-3.5%
1993-94	5,358,710	6.7%
1992-93	5,020,733	-3.8%
1991-92	5,221,356	3.6%

**Motor Fuels Normal Use and Surtax**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 15,492,738	-2.6%
1999-00	15,905,613	-5.6%
1998-99	16,853,163	-3.6%
1997-98	17,473,744	14.1%
1996-97	15,316,702	-32.1%
1995-96	22,554,473	-2.2%
1994-95	23,052,951	7.7%
1993-94	21,399,126	3.9%
1992-93	20,591,812	-1.9%
1991-92	21,000,948	-6.0%

**MOTOR VEHICLE REGISTRATIONS**  
**Passenger Car Registration**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 23,162,962	-1.4%
1999-00	23,485,625	0.6%
1998-99	23,356,526	-1.1%
1997-98	23,604,679	1.4%
1996-97	23,276,395	-0.5%
1995-96	23,389,132	0.0%
1994-95	23,398,303	-0.3%
1993-94	23,473,690	1.7%
1992-93	23,083,164	0.8%
1991-92	22,893,363	1.6%

**MOTOR VEHICLE USAGE TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$345,120,799	-4.0%
1999-00	359,437,723	8.5%
1998-99	331,187,817	1.8%
1997-98	325,308,554	6.7%
1996-97	304,868,491	2.1%
1995-96	298,585,859	5.2%
1994-95	283,820,829	2.0%
1993-94	278,157,347	19.1%
1992-93	233,527,651	11.4%
1991-92	209,619,192	2.2%

**MOTOR VEHICLE RENTAL USAGE TAX**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Percent Change</b>
2000-01	\$ 51,619,167	3.3%
1999-00	49,957,851	12.4%
1998-99	44,465,916	7.3%
1997-98	41,450,720	13.3%
1996-97	36,593,748	25.9%
1995-96	29,054,964	26.5%
1994-95	22,966,441	34.7%
1993-94	17,055,319	40.7%
1992-93	12,124,476	33.2%
1991-92	9,103,767	25.3%



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